
Euroset Sacrifices Beeline For MTS

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CNews got the August 6 largest St. Petersburg retailers subscription data. The total number of contracts sold amounted to 186 thousand, which is a 19 thousand decrease, as compared to July.

Beeline and Tele2 experienced the largest decrease in subscription as compared to July (minus 12 and 7 thousands, relatively), Beeline main sales decrease falling to two networks, i.e. Ultra and Euroset. At the same time, the retailers claim MTS subscription to increase. According to CNews, Euroset increased MTS contracts sale by 3.5 thousand, while Ultra by 200.

MegaFon demonstrated the largest fall in the mentioned networks by 2 thousand.

CNews source in one of the cellular operators tells Euroset and Ultra has concluded contracts with MTS, "that is why the mentioned above companies are promoting only MTS at present at the expense of other operators". "We have certain mutual obligations with MTS, while in July they were renewed, - Euroset explains to CNews. - The growth is connected with the mentioned factor". Valery Shishkin, Director of Ultra Digital Technology Center notes MTS subscription increase is connected with the company's active marketing policy.

Euroset St. Petersburg outlets increased MTS SIM-cards sale, while Beeline subscription reduced

It should be noted the subscription decrease affected all the cellular retail market participants in August.

The highest decrease was experienced by Euroset and Ultra. "The subscription reduction amounted to 5%, - Mr. Shishkin says. - That corresponds to our forecasts, as we did not expect the subscription increase in July". At the same time Euroset possessing the highest number of outlets in St. Petersburg is the leader by the number of contracts amounting to 61 thousand which is by 4.5 thousand lower than in July.

Then Svyaznoy follows with 46 thousand contracts (minus 2 thousand), Ultra with 33 thousand (minus 7 thousand). Teleforum concluded 32 thousand subscription contracts (minus 4 thousand). Cifrograd and Betalink had correspondingly 17 thousand (minus 500) and 16 thousand (minus 1.5 thousand) subscriptions.

Teleforum tells "in August the total sales bulk in the company's outlets was approximately equally distributed between the three operators, i.e. Beeline, MTS and Tele2. "At the same time Tele2 SIM-cards were sold mainly because of

unbiased demand", - our correspondent notes. - In general our sale expectations were not approved, though the main tasks having been successfully fulfilled by retail outlets".

Analysts and market participants account the subscription market reduction for vacations, being highest in August. According to the Analyst Denis Kuskov the situation with subscription reduction in August repeats every year, but in Autumn it usually improves. "The number of subscriptions to be made by the New Year is to be roughly the same as in all previous months, - Mr. Kuskov says. - But then the number of subscribers in St. Petersburg is to reduce, subscriptions are to fall, so the operators will start struggling to retain the existing subscribers".

MegaFon North-West Subsidiary confirms CNews data regarding the insignificant reduction of new subscriptions in August as compared to July. "That is sure to be connected with the seasonal activity slow down, repeating from year to year, - the operator's Press Service confirms. - Besides, according to statistics, July is occupying the second place by the rate of subscription after December, while August is similar to January. In present August, according to roaming data, subscribers were sure to go on holidays".

"We expect subscriptions to grow up in September, as September is traditionally the most intensive month as compared to August", - VimpelCom North-West representation office Press Service says.

Euroset is the largest mobile handset retailer in Russia and one of the Russia's leading dealers for major mobile network operators. The main business activity of the Euroset Group is the retail sale of mobile handsets, digital cameras, CD, MP3 players and DECT-phones, mobile handset accessories and subscription to mobile network operators. In the first half of 2005, the Group estimated its share of the mobile handset retail market in Russia to be 23%. As of 31 October 2005 Euroset has outlets in 626 Russian cities, as well as in 25 cities in Kazakhstan, 19 cities in Ukraine and one city in Belarus. Euroset's next goal is to further develop its business in the Commonwealth of Independent States and the Baltic States.

VimpelCom Group includes cellular companies operating in Russia, Kazakhstan, Ukraine, Uzbekistan and Tajikistan, and recently acquired companies in Georgia and Armenia. The Company operates under the 'Beeline' brand. The VimpelCom Group's license portfolio covers approximately 240 million people. Geographically it covers 78 regions of Russia with 136.5 million people, representing 94% of Russia's population as well as the entire territories of Kazakhstan, Ukraine, Uzbekistan, Tajikistan, Georgia and Armenia. The company's net income and revenue for Q3 2006 was \$268,4mln and \$1,358mln respectively.

MTS (Mobile TeleSystems) is the largest mobile phone operator in Russia and the CIS. Together with its subsidiaries, the Company services over 72.86 million subscribers. The regions of Russia, Belarus, Turkmenistan, Ukraine, and Uzbekistan, in which MTS and its associates and subsidiaries are licensed to provide GSM services, have a total population of more than 230 million. MTS completed its IPO and listed its Level III ADRs on the New York Stock Exchange in July 2000, under the symbol MBT. The Company's shares have been listed locally on MICEX since November 2003, under the symbol MTSI. The Company's GDRs are also traded in Europe. The free float of the Company's shares is approximately 46.7%. MTS is 52.8% majority-owned by Sistema, the largest private sector consumer services company in Russia and the CIS. The company's consolidated revenues in the first quarter of 2007 reached \$1,741mln.
